

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 412 - HB 991

April 17, 2019

SUMMARY OF ORIGINAL BILL: Increases, from \$25,000 to \$25,500, the maximum monetary penalty which the Department of Revenue (DOR) can assess against any person that knowingly files a false or fraudulent application for a refund of state and local sales and use tax paid on applicable purchases pursuant to a natural disaster.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (008440): Deletes all language after the enacting clause. Defines “hemp products” as rolled, shredded, cut, ground, or pulverized hemp leaves or flowers for smoking or use in a manner as smokeless tobacco products, including snuff and chewing tobacco, are used. Includes “hemp products” in the definition of “tobacco products”. Establishes that, effective January 1, 2020, the 6.6 percent tobacco tax imposed on the wholesale cost price also applies to “hemp products”.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Increase State Revenue – Exceeds \$153,100/FY19-20
Exceeds \$306,100/FY20-21 and Subsequent Years**

**Increase Local Revenue – Exceeds \$3,900/FY19-20
Exceeds \$7,900/FY20-21 and Subsequent Years**

Assumptions for the bill as amended:

- According to research conducted by the Fiscal Review Committee staff, the total U.S. sales of hemp products in 2017 totaled \$820,000,000. This amount includes sales of various hemp products: food, industrial applications, consumer textiles, hemp CBD, supplements, personal care, and other consumer products.
- Sales of hemp products that will be subject to the tobacco tax are estimated to exceed \$300,000,000 in FY19-20 and subsequent years.

SB 412 - HB 991

- The ratio of Tennesseans to the total population of the United States is 2.069 percent, and it is assumed that the wholesale price of the hemp products would be 70 percent of the total retail sales price.
- Therefore, the estimated recurring increase in state revenue exceeds \$286,763 ($\$300,000,000 \times 2.069\% \times 70.0\% \times 6.6\%$).
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- It is assumed that the increase of 6.6 percent in price would be reflected in the price the consumer pays; thereby creating a recurring increase in sales tax revenue exceeding \$19,347 [$(\$286,763 \times 7.0\%) - (\$286,763 \times 7.0\% \times 3.617\%)$] for the state; and a recurring increase in local sales tax revenue exceeding \$7,895 [$(\$286,763 \times 2.5\%) + (\$286,763 \times 7.0\% \times 3.617\%)$] for local government.
- The total recurring increase in state revenue is estimated to exceed \$306,110 (\$286,763 tobacco tax + \$19,347 sales tax); and the total recurring increase in local revenue is estimated to exceed \$7,895.
- Due to the effective date of January 1, 2020, the first-year impact (FY19-20) is estimated to be 50 percent of the first full-year impact, or an increase in state revenue exceeding \$153,055 ($\$306,110 \times 50\%$) and an increase in local revenue exceeding \$3,948 ($\$7,895 \times 50\%$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/jdb